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Pricing the Ballgame

By ROBERT H. FRANK

THACA, N.Y. — The Mets' move last week to variable ticket pricing occurred because Shea Stadium is like a commercial airliner. When a 757 takes off from nearby LaGuardia with unfilled seats, something of value is lost forever: the airline loses the revenue, and passengers lose the chance to travel. When the Mets play before less than sellout crowds at Shea, both the team and its fans lose as well.

Airlines have long used sophisticated pricing methods to fill empty seats, and the Mets' move follows a similar logic. Last season, a given seat at Shea sold for the same price every day. That seat will now sell at four different prices, depending on when the game occurs and the popularity of the opposing team. Fans can catch the lowly Brewers on a May weekday for as little as \$8, down from \$12 last season. But to see Barry Bonds hit a home run on a July Saturday, they'll have to pay at least \$16.

Economic theory's ideal pricing scheme is one that eliminates excess demand during peak periods while serving customers at cost during off-peak periods. By that standard, the Mets' move is a clear improvement. Of course, that fact hasn't prevented the inevitable complaints about higher prices for popular games. The real problem, however, is that the new formula doesn't go far enough. Saturday Yankees games in July will still sell out months in advance, and Monday Brewers games in May will still fill less than a third of Shea's seats.

The Mets are not unique in departing from the economist's ideal price structure. Why do so many hotels, restaurants and other businesses charge prices that are too low when they're busy and too high when they're not? Their concern is that aggressive peak-period pricing might court a customer backlash. Why go to a restaurant that charges double on Saturdays, angry customers might wonder, even though the meal costs no more to prepare than on other nights?

This question betrays a faulty understanding of cost. Although the raw ingredients cost no more on Saturdays, the cost of serving additional diners is still far greater than on other days; the restaurant would have to enlarge its facilities and buy more equipment to accommodate larger crowds. Additional Tuesday patrons, in contrast, can be served without spending an extra cent on such items. A similar logic applies to the Mets, who would need a bigger stadium and more parking to serve additional fans at sellouts.

Would larger price differentials be fair? Customers don't feel betrayed when grocers

charge them three times as much for three pounds of beef as for one pound, since those who buy more obviously impose higher costs on the seller. By the same token, peak-period users of stadiums or restaurants should pay higher prices, because they too impose higher costs. But because the cost differences in these cases are less obvious, customers often regard price differentials as unfair. This perception is an illusion.

No strategy will fill more empty seats at Shea than for the team's new manager to guide the Mets to a winning season. By all means, let the quest to win continue. Meanwhile, the team and its fans will gain by having prices that track costs more closely.

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